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EUREKA ECONOMIC PROFILE

OFFICE OF ECONOMIC POLICY,  
PLANNING AND RESEARCH

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## EXECUTIVE SUMMARY

The Eureka Economic Profile describes the economic conditions of Humboldt County and the City of Eureka, explores current development patterns and constraints, and examines the options for economic development in the future. The purpose of the study is to provide basic background on the Eureka economy and to suggest possible directions for economic development activity.

### Current Status

The economy of Humboldt County is largely based on timber products and fishing. Over the past decade, changes in timber supply and a national recession have reduced countywide employment in lumber and wood products by fifty percent. Employment in the fishing industry has also declined with reduced salmon harvests. Even the recovery of the national economy is unlikely to raise employment in these industries to the levels of the early 1970s. (See Chapters I and II.)

Federal assistance has cushioned the effects of the timber industry's decline on other economic sectors in Humboldt County. Local organizations have also tried to respond to economic changes through employment training and business support programs. (See Chapter III.) However, unless new economic activities expand job opportunities, unemployed workers will face continued joblessness or may have to move to find work.

### Basic Economic Needs

Economic development action in Humboldt County and Eureka can focus on several basic needs:

- At least 1,000 new basic jobs in the county would be needed to replace losses in timber industry employment and to reduce the present unemployment rate to 7%. (Basic jobs are jobs in businesses that sell products or services to purchasers outside of the county.)
- There is a particularly large gap in job opportunities that use the skills and match the working-condition and salary expectations of out-of-work timber workers.



- Seasonal unemployment and longer term instability will continue unless Humboldt County greatly reduces its dependence on timber activities by diversifying its economic base. A broader range of economic activity is needed to stabilize the economy.
- A strong retail sector will continue to be important as a base of employment and a source of local government revenue to the City of Eureka.

#### Prospects for Economic Development

The growth of new economic activities in Humboldt County will be constrained by the location of the county, climate, population size, and limited government resources. However, the county's natural environment and quality of life, and the range of services available in Eureka can support the growth of small resource-based businesses and other small manufacturers.

Prospects for expanding firms include:

- Lumbering and milling of hardwoods in small mills.
- Less traditional types of fishing activity.
- Increased tourist-related businesses.
- New local ventures.
- Attraction of small firms and small-scale expansions from outside the county.
- Port-related businesses.
- Import substitution of retail goods and services for local consumers and businesses.

Developing any of these activities will require a range of actions by individuals, private firms, public agencies, and community or business organizations. Some of these actions are described in the final chapter of the report. A detailed description of the steps needed to build up a specific sector of the economy is outside the scope of this study.

Any changes to the local economy of Eureka and Humboldt County will occur slowly, over a period of several decades. The timber industry will continue

to dominate employment prospects for the county in the near future. However, steps taken now can begin to move the region toward the development of a more balanced economy.



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## EUREKA ECONOMIC PROFILE

### Introduction

Heavily dependent on timber production and fishing, Humboldt County has faced a difficult period of economic adjustment during the past decade. Salmon harvests have decreased because of reduced populations and stringent regulations. A slowdown in the demand for forest products from the building industry, and a declining timber supply, due to management practices on private forest land and the expansion of the Redwood National Park, have reduced timber harvests in Humboldt County. These factors have led to high unemployment and have reduced growth of business activity.

Eureka, the County Seat, has been directly affected by the loss of jobs in the county's basic manufacturing sectors. In addition, as a major commercial center for northern coastal communities, Eureka is vulnerable to drops in local spending power and the consequent loss in retail and service activities. Since 1977, the county has received extensive Federal aid to counteract the impacts of the Redwood National Park expansion. This has included over \$40 million in payments to laid-off timber workers. When this assistance ends in the 1980s countywide income will drop and Eureka and other Humboldt communities may experience further declines in local business sectors.

Several economic development strategies have been prepared for Humboldt County and surrounding communities. The largest study, prepared for the Redwood Region Economic Development Commission,\* identified areas for expanded economic activities throughout the county. This study helped individual communities to select specific development projects, but did not lead communities to prepare comprehensive economic development strategies of their own.

To promote economic development in Eureka, it is critical that groups working towards this end understand current economic directions in Humboldt County and the role of Eureka in the county and statewide economy. A successful economic development program for Eureka must be coordinated with

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\*QRC Research Corporation, et al., An Economic Development Action Plan and Strategy for Humboldt County, California, Eureka, February, 1978.



efforts underway elsewhere in the county as well as being directed towards the particular needs of the city.

This report is a reference document, to serve as background for discussions regarding the future of Eureka and the north coast economy. The report begins with a description of the economy of Eureka and its place in Humboldt County, followed by a discussion of current development patterns and constraints, a catalogue of ongoing activities and proposals, and a discussion of future economic development directions.

## I. The Economy of Eureka and Humboldt County

### A. Trends in the Humboldt County Economy

Forestry and wood products industries have historically been the most important economic base for Humboldt County, accounting for close to three-quarters of the county's exports in the 1970s, and about one-third of the county's gross product. Fishing and fish products, dairy products and other agricultural activities contribute between an additional five to ten percent to county exports.\*

Eighty percent of the county's land area is covered by forests. Humboldt is the largest producer in California of lumber, softwood, veneer, plywood and wood pulp.\*\* It contains the largest saw timber inventory and the second largest commercial forest area of any California county. But a century of logging has reduced old-growth stands to the point that any new timbering activity will have to take place in new-growth areas. The county's many hardwoods are a resource that has been underutilized in the past. Tan oak, alder, madrone and chinquapin are all present in Humboldt County in considerable quantity and can be processed for commercial use.\*\*\* Humboldt County is a major exporter of fresh and frozen fish products to California and national markets. Major species are salmon, sole, rockfish and Dungeness crab. In addition to deep-sea fishing, there

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\* Unpublished analysis provided by Engineering-Economics Associates Incorporated, Berkeley, 1982

\*\* Employment Development Department, op. cit. p. 9

\*\*\* QRC, op. cit. p. 83



is an oyster farming operation in Humboldt Bay and two salmon hatcheries within the county.

Between 1970 and 1980 a shift began in the county's economy, with a decrease in manufacturing activity (primarily in lumber and wood products) and increases in the commercial, service and government activities. In 1972, manufacturing was the largest employment sector in Humboldt, with 28.6% of the labor force. By 1980, only 17.2% of the labor force was employed in manufacturing, and employment in retail trade, services and government exceeded this figure (see Tables 1 and 2). The greatest amount of employment growth during this period occurred in service activities, which increased by over 4,000 jobs, as compared to a loss of about 2,500 jobs in manufacturing. The largest service sector employment increases were in health and social services.

Although total wage and salary employment has increased in Humboldt County in the past decade (from 33,325 in 1972 to 40,625 in 1981) shifts in employment opportunities have been accompanied by rising unemployment. Because of the seasonal nature of forestry, fishing and agriculture, Humboldt has always had periods of high unemployment, with an unemployment rate exceeding the state average. Unemployment in the 1980s has been strikingly high, exceeding 19 percent in December 1981 (see Table 3), and remaining well above average levels in more recent months.

Prospects for Humboldt County's economy in the 1980s and beyond are still uncertain. With an economy based primarily on a single resource, the county has felt the effects of a wide range of "outside" forces such as non-local ownership of forest land, national land use policy, and high interest rates on residential mortgages. The demand for forest products has dropped with the slowdown in building that has resulted from high interest rates. In addition the supply of timber in Humboldt County has declined, as a result of management practices on private timberland and the expansion of Redwood National Park. Even with a turnaround in the national economy, declining timber supplies in Humboldt County can be expected to keep employment in timber and wood products below 5,000 for the rest of the decade.\*

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\* The Appendix to this report describes the methods used to estimate sources of employment and future employment.

Table 1

Wage and Salary Employment  
Humboldt County  
Annual Average

<u>Sector</u>	<u>1972</u>	<u>%</u>	<u>1976</u>	<u>%</u>	<u>1980</u>	<u>%</u>
Agriculture	625	( 1.9)	600	( 1.6)	825	( 2.0)
Construction & Mining	950	( 2.9)	1,125	( 3.0)	1,175	( 2.9)
Manufacturing	9,525	(28.6)	8,775	(23.1)	6,975	(17.2)
Transportation and Public Utilities	2,025	( 6.1)	2,325	( 6.1)	2,325	( 5.7)
Wholesale Trade	1,175	( 3.5)	1,300	( 3.4)	1,675	( 4.1)
Retail Trade	5,150	(15.5)	6,075	(16.0)	7,025	(17.3)
Finance, Insurance, Real Estate	900	( 2.7)	1,100	( 2.9)	1,350	( 3.3)
Services	4,475	(13.4)	6,775	(17.8)	8,700	(21.4)
Government	<u>8,500</u>	(25.5)	<u>9,900</u>	(26.1)	<u>10,575</u>	(26.0)
Total Wage & Salary	33,325		37,975		40,625	

Source: State of California, Employment Development Department. "Annual Planning Information: Humboldt County 1981-1982," May 1981 p. 84.

Table 2

Manufacturing Employment  
Humboldt County  
Annual Average

<u>Manufacturing Sector</u>	<u>1972</u>	<u>1976</u>	<u>1980</u>
Food Processing	650	800	850
Lumber & Wood Products	7,925	6,925	5,000
Other Manufacturing	950	1,050	1,125

Source: Ibid.



Table 3

Humboldt County Unemployment

<u>Year</u>	<u>Average Unemployment Rate (%)</u>
1981	13.9
1980	12.0
1979	11.5
1978	13.2
1977	13.8
1976	13.6
1975	16.1
1974	12.7

<u>Month</u>	<u>Unemployment Rate</u>
3/81	14.5
6/81	10.7
9/81	12.2
12/81	19.1
3/82	18.4
6/82	14.7

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Source: Employment Development Department

Initial predictions of the number of jobs that would be lost due to expansion of the park ranged from 1,300 to 1,900 (between 3.1% and 4.7% of the 1979 labor force), including jobs in lumber and wood products and indirect job loss resulting from multiplier effects.\* Actual job reduction in lumber and wood products between 1978 and 1980 equalled 1,175. Our analysis of jobs shifts over this period indicates that between 40 and 50% of the employment decline resulted from national economic conditions (particularly decreasing housing starts), while 50 to 60% of job loss was due to declining timber supplies and shifts in timber production.\*\* Expansion of Redwood National Park was only one element in the decline of timber supplies. Even without the park expansion, the county would experience declining timber supplies for the remainder of the century.\*\*\*

It is difficult to estimate indirect job loss from the decline in timber employment because compensation payments since expansion of the park have cushioned the effects on nonbasic sectors, and many nonbasic sectors are still growing. Further efforts to reduce job loss in lumber industries were made by the Redwood Regional Economic Development Commission, which used loans to support new firms in specialized areas of lumber and wood products, generating about 100 jobs in the first few years of operation. These results are relatively small compared to the large number of jobs that will be needed when compensation for the Redwood Park expansion ends.

Efforts to expand fishing and fish processing in the county have met with mixed success. Environmental changes have reduced the salmon population, and stringent regulations aimed at protecting and increasing the existing population restrict fishing during peak periods. As a result, harvests have decreased, despite improvement of the marina and additional fish processing plants. However, the new processing plants have increased employment in food processing in the county, offsetting some other job losses.

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\* "Indirect" or "multiplier" effects would include job losses in firms supplying lumber companies and jobs lost because of reduced household purchase trade by lumber workers.

\*\* The analysis is described in the Appendix to this Report.

\*\*\* U.S. Forest Service projections, 1980.



Even with an overall decline in the dominant resource sectors, employment in retail trade and services has increased during the past decade. These trends indicate that Eureka and Arcata are maintaining strong bases as commercial centers for the county and that tourism or regular shopping visits from outside the county may also be increasing.\* Compared to resource-based industrial employment, the expansion of job opportunities in retail trade and services offers employment with fewer seasonal variations (except for tourism-related jobs), generally at lower wage levels.

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\* The strength of the retail and service sectors may also result in part from "undocumented" income (illegal marijuana harvests). Analysis of the effects of this activity on the Humboldt County economy is outside the scope of this study.

## B. The Eureka Economy

Eureka's economy is highly dependent on the health of Humboldt County's economy, but business activity and employment differ from overall county activities. Eureka is the government and commercial center for the county. While vulnerable to the same seasonal economic changes and conditions of the nationwide economy that affect Humboldt County, the diversity of economic activities helps to cushion the severest shifts in the county's industrial employment. Major employment sectors in Eureka include industrial activity, local-serving retail trade and services, a growing tourist sector, and government.

### 1. Industrial Activity

Half of Humboldt County's largest manufacturing employers are located in the City of Eureka. Of the Eureka firms, four employ more than 100 employees each, all in lumber and wood products (see Table 4). Eureka is also the location of most of the county's large nonmanufacturing employers, including seafood operations, telephone and utility companies, and several other activities. Because of the dominance of timber and fishing, industrial employment has seen both overall decline and severe cyclical swings in the past decade.

### 2. Retail Trade and Services

The City of Eureka is the largest commercial center between the San Francisco Bay Area and Coos Bay, Oregon. Eureka dominates retail trade activity in Humboldt County, accounting for close to sixty percent of county retail sales. As the retail center for much of the north coast of California, Eureka posted retail sales per capita in 1980 that were more than twice the level for the State of California, despite the fact that Humboldt County retail sales are below the state average (see Table 5). In comparison, local per capita sales as a percentage of statewide figures were 83% for Arcata, 60% for Fort Bragg, and over 250% for Crescent City. Eureka's dominance in retail sales is particularly large for goods serving a broad market, including apparel, home furnishings and



Table 4

Largest Employers in Greater Eureka

<u>Manufacturing Employment Company (Location)</u>	<u>Employees</u>	<u>Business</u>
Simpson Timber Co. (Arcata)	1,243	Lumber
Louisiana Pacific Corp. (Eureka)	1,200	Lumber and Pulp
Pacific Lumber Co. (Scotia)	NA	Lumber
Arcata Redwood Co. (Between Eureka and Arcata)	410	Lumber
Crown Simpson Corp. (Eureka)	210	Pulp
Schmidbauer Lumber Co. (Eureka)	174	Lumber
Bayley Suit Co. (Fortuna)	20	Diving Suits
Fluherer Bakery (Eureka)	46	Bakery
Nor Cal Industries (Eureka)	46	Steel Fabrication
Foremost Foods (Loleta)	35	Dairy
Humboldt Creamery, Inc. (Ferndale)	70	Dairy
<u>Non Manufacturing Employment Company (Eureka)</u>	<u>Employees</u>	<u>Business</u>
Eureka Fisheries	350	Seafood
Lazio's Seafoods	275	Seafood
Pacific Gas & Electric Company	332	Utility
Pacific Telephone	250	Telephone
Northwestern Pacific R/R	125	R/R Company
Mercer Fraser	110	Ready Mix Concrete
Times Standard	110	Newspaper
Matthews Machinery	85	Contractor
Humboldt Seafoods	50	Seafood

Source: Greater Eureka Chamber of Commerce, "Community Economics Profile for Eureka, Humboldt County, California", 1981.

Table 5

Retail Sales, 1980

Type of Business	Eureka Taxable Transactions Per Capita	Humboldt Taxable Transactions Per Capita	California Taxable Transactions Per Capita
Apparel	\$ 432.04	\$ 129.80	\$ 196.77
General Merchandise	1,345.05	605.34	615.65
Drug Stores	626.71	214.29	102.78
Food Stores	331.64	343.09	358.78
Packaged Liquor	80.28	59.03	83.50
Eating & Drinking Places	859.40	405.68	476.28
Home Furnishings & Appliances	374.86	111.43	176.16
Building Materials & Farm Implements	1,194.68	424.42	307.58
Auto Dealers & Supplies	1,705.54	1,314.26	1,309.65
Service Stations	1,795.43	717.81	690.17
Total Retail Stores	\$ 9,658.68	\$3,707.90	\$3,962.44
Total All Firms	\$12,112.86	\$5,175.51	\$6,004.34

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Source: State of California, Board of Equalization. "Taxable Sales in California, 1980", Sacramento, 1981.



appliances, building materials and farm implements. In addition, Eureka has a proportionately high spending level for goods and services that might otherwise be provided to smaller market areas, such as eating and drinking places, drug stores, auto dealers and service stations.

### 3. Tourism

A large proportion of travel through Humboldt County is non-local, with the majority of visitors engaged in recreational travel (see Table 6). In the past, much of this travel has generated little revenue for the county, with many vehicles passing through the county without stopping, and many recreational visits occurring without overnight stays. Nevertheless, the amount of travel through Humboldt County for recreational purposes offers the potential for expanding tourism revenues in Eureka. About 60% of Humboldt County's hotel and motel accommodations are in Eureka.\* Eureka has an average of about 900 visitors nightly, including about 700 business travelers (see Table 7). With over 1,300 motel and hotel rooms, average occupancy varies substantially throughout the year, with many more rooms occupied in the summer than in winter months.

If yearly hotel and motel revenues are adjusted for inflation, the past decade of tourist activity shows that this sector can have wide variations from year to year, in addition to the commonly recognized seasonal variations (see Table 8 and Figure 1). Most recently, overnight revenues have increased despite decreases in traffic volume, indicating that Eureka's "capture" rate for north coast tourist traffic may be increasing. Overall, tourism can offer further development potential, but it cannot be relied on to stabilize the local economy.

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\*QRC, op. cit. p. 179, and Table 7

Table 6

Recreational Traffic, Humboldt CountyAugust, 1976

Checkpoint	1 Way ADT*	Total Recreational Traffic	Total Non- Resident Traffic
U.S. 101 N, Humboldt- Mendocino County Line	3,425	69%	96%
U.S. 101 S, Humboldt- Del Norte County Line	3,250	68%	93%

Source: Caltrans District 01. "1976 Recreational Travel Studies: District 01 Summary". March, 1979, p. 7.

\*Average daily trips.

Table 7

Tourism in Eureka, 1980

Hotel and Motel Rooms	1,360
Average Annual Occupancy	46.8%
Guests Per Occupied Room (average)	1.4
Average Length of Stay (in hotels/motels)	1.5 nights
Percent Vacationers	12.5 %
Percent Business Travelers	80%
Percent Convention Business	6.5%

Source: Personal Communication With Donna DePaoli, Eureka Convention and Visitors Bureau. April 1, 1982.



Table 8

Hotel/Motel RevenuesEureka1974-1982

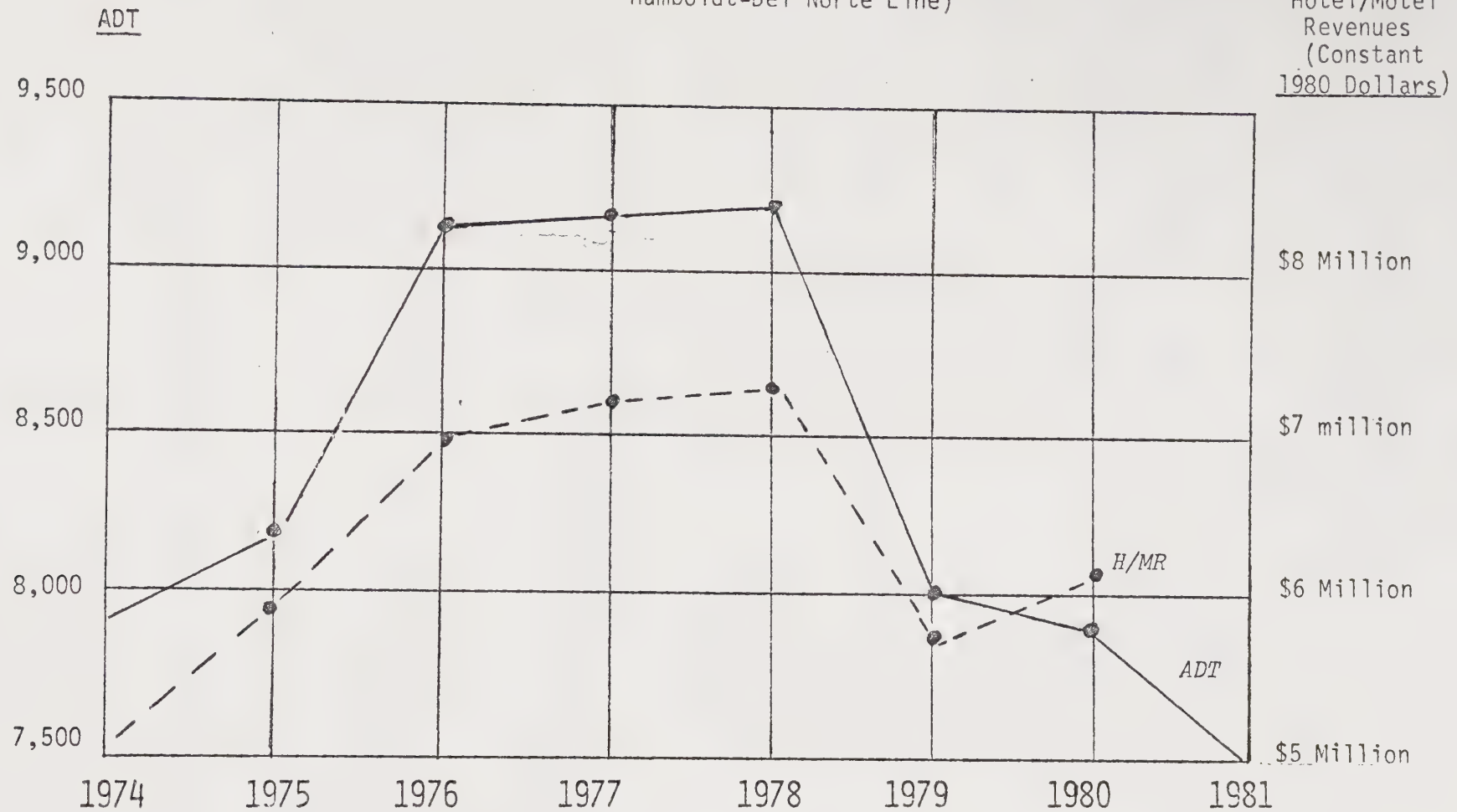
<u>Fiscal Year</u>	<u>Hotel/Motel Revenues</u>	<u>Hotel/Motel Revenues in Constant 1980 Dollars*</u>	<u>% Change Constant \$'s</u>
74-75	\$2,894,000	\$5,053,912	
75-76	3,729,817	5,900,834	+16.8
76-77	4,647,950	6,924,948	+17.4
77-78	5,176,884	7,199,373	+ 4.0
78-79	5,725,800	7,384,896	+ 2.6
79-80	5,031,650	5,822,936	-21.2
80-81	6,275,117	6,275,117	+ 7.8
81-82 (proj.)	6,833,333		

\* Using the California Consumer Price Index, from California Department of Finance, 1981 Economic Report of the Governor.

Source: Hotel/Motel Transient Tax Revenues, from City of Eureka Administrative Services Department.

Figure 1

Eureka Hotel/Motel Revenues  
and Two-Way Average Daily Traffic (ADT)  
on U.S. 101  
(Humboldt-Mendocino Line plus  
Humboldt-Del Norte Line)



Sources: (1) Personal Communication with Joe Avis, California Department of Transportation,  
April 23, 1982.  
(2) Table 10.

#### 4. Government

The public sector has steadily provided about 25% of employment in Humboldt County. In addition to city offices, most county, state and federal offices, as well as many countywide districts, are located in Eureka. This sector of employment grew steadily in the 1970s (by close to 25% between 1972 and 1980). However, growth may slow in the 1980s, with the severe budgetary restrictions imposed on all government levels.

#### C. Population

Counties experiencing steady job losses in natural-resource based sectors of the economy typically experience stabilization or decline of the local population, with younger workers and families leaving the area in search of steadier incomes. To some extent, Eureka exhibits this pattern, with a slight decline in population since 1970, a relatively high percentage of population over 65, and a median age slightly higher than the state average (see Tables 9 and 10). However, this tendency is not reflected in the rest of Humboldt County. The county grew by 8.4% between 1970 and 1980, and the median age is slightly below that of the state.

Almost forty percent of the county's growth in this period occurred in Arcata; it was fueled by increasing enrollments in Humboldt State University and added significantly to the young adult population of the county. More broadly, comparing statistics for Eureka and the rest of the county with the state, there is little indication of a major net loss of working aged people due to unemployment and outmigration. This stability in the face of economic decline reflects the inherent attractiveness of the county as a place to live.

Despite losses in job opportunities, Humboldt County has maintained a diverse and skilled population. Overall, the county civilian labor force has grown from 33,325 in 1972 to 40,625 in 1981. The younger labor force remaining in Humboldt County results from students attending Humboldt State University who choose to stay



Table 9

	<u>Population</u>				<u>Growth Rate</u>
	<u>1950</u>	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1970-1980</u>
City of Eureka	22,692	28,157	24,227	24,153	-0.8%
City of Arcata	3,729	5,235	8,895	12,340	38.7%
Humboldt County	69,241	104,892	99,626	108,514	8.4%

Source: U.S. Department of Commerce, Bureau of the Census. Census of Population  
1950, 1960, 1970, 1980.

Table 10

Age Characteristics, 1980

	<u>Eureka (%)</u>	<u>Humboldt County (%)</u>	<u>State of Calif. (%)</u>
Percent of Population Under 18	23.4	25.2	27.0
Percent of Population 18-29	24.5	26.6	23.2
Percent of Population 30-44	19.0	20.0	20.4
Percent of Population 45-64	19.6	18.0	19.2
Percent of Population 65 +	13.4	10.2	10.2
Median Age	31.2	29.2	29.9

Source: 1980 Census

in the county after graduation, and other young adults and families who are attracted to the area because of life style preferences.

The quality of the county's labor force could help to draw new firms into the area. Both the College of the Redwoods and the Eureka city schools (through the Regional Occupational Programs) provide extensive vocational education, ranging from welding to computer technology to secretarial training. Humboldt State University graduates a large number of trained professionals in diverse fields each year. Even prior to attending two-year or four-year colleges, Eureka high school students are well above the state average; in the Senior State Testing, designed to measure basic skills, Eureka High School ranked in the 66th percentile statewide in reading, 73rd in written expression, 88th in spelling, and 75th in mathematics.\*

#### D. Financial Resources\*\*

Banking services for much of the county are located in Eureka. Several major California banks have branches in Eureka and in other Humboldt County communities. One county-based bank, the Bank of Loleta, is headquartered in Eureka. Local businesses can obtain a wide range of banking services in Eureka, although very high rates of interest have affected the availability of loans.

Commercial bank deposits in the county have grown at less than the rate of inflation in the past five years. New loans have dropped, and long-term loans have become particularly difficult to obtain. Established customers can still obtain short-term loans for operations, small equipment purchases and accounts receivable, but the demand for loans from many businesses has dropped in recent years. Access to startup capital is a problem for many new businesses. Banks provide access to SBA loan and loan guarantee programs, but do not provide access to other federal loan guarantee resources. Technical assistance

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\*Personal communication with Mr. Russ Shattucks, Eureka City Schools, Eureka. April 14, 1982.

\*\*Information in this section is drawn from interviews with managers of four major banks in Eureka.

and support services for businesses vary among banks. One bank has a strong community outreach program to make business aware of loan services and deposit opportunities. Most banks try to offer informal counseling to firms seeking loans, and some banks are interested in offering seminars on business management for local entrepreneurs.

Technical assistance for business finance and management is also available from other sources in the community. Humboldt State University offers a monthly seminar in management through the Continuing Education Program, and classes in business finance and management are offered at the College of the Redwoods. For the past year, the county Private Industry Council has funded technical assistance and loan packaging services through the Business Support Center in Eureka. This center also provides assistance to paying clients.

#### E. Summary

- o Forestry and wood products industries remain Humboldt County's major economic base, despite substantial declines in timber harvests and sales in recent years.
- o The retail trade, service and government sectors of the economy were the largest source of employment growth in the 1970s.
- o Humboldt County's unemployment rate has averaged over 10% during the past decade and approached 20% in December, 1981.
- o Half of Humboldt County's largest manufacturing employers are located in Eureka. All of Eureka's large manufacturers (over 100 employees) are in lumber and wood products or seafood.
- o Although Eureka's population has dropped since 1970, county population overall has increased, retaining young adults and families despite declining job opportunities in basic industries.
- o Eureka is the largest coastal commercial center between the San Francisco Bay Area and the Oregon border. Sixty percent of Humboldt County retail sales are made in Eureka, and Eureka is the county center for banking services.



## II. Development Patterns and Constraints

In addition to current labor force and business characteristics, a number of other resource and locational factors influence the development of a local economy. Among the most important factors in Eureka and Humboldt County are transportation networks, current and planned land use, housing availability and water supplies.

### A. Transportation Routes

Transportation routes into and out of Eureka have limited the growth of the city. Almost three hundred miles from San Francisco, Eureka is isolated from the major economic centers of the state. However, infrastructure for a variety of transportation modes is in place, giving the potential for expansion of specific transportation networks as demand increases.

#### 1. Highways

United States Highway 101 is the major route through the area, carrying an average of 3,500 to 4,000 vehicles per day (see Table 11). Except for occasional mudslides closing the highway, U.S. 101 is a dependable year-round through route. The road is a freeway for most of its length through Humboldt County, except for two general areas:\*

- 1) Five miles within the City of Eureka.
- 2) Several stretches between Big Lagoon and the Del Norte County line, approximately eighteen miles.

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\*Personal communication with Drew Irwin, CALTRANS District 1, April 8, 1982

Table 11

Traffic Within Humboldt County  
1980-1981

Monitoring Point	Annual Average Daily Traffic	A.D.T. Peak Month	Peak Hour Traffic	A.D.T. Sept- Nov	A.D.T. Dec- Feb	A.D.T. Mar- May	A.D.T. June- Aug
U.S. 101, N. & S. Mendocino County Line	4,000	6,500	640	3,127	2,622	3,621	6,742
U.S. 101, N. & S* Del Norte County Line	3,500	5,600	590	2,525	2,533	4,679	4,897
County Road 299, E. & W. 1 mi. west of Trinity County Line	2,650	3,400	340	2,995	2,148	2,701	3,685

\*Data from this checkpoint differs in two respects from the rest of the table:  
1) it is data from the 1979-1980 county year; and 2) it reflects quarters ending  
in December, March, June and September.

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Source: Personal Communication with Emory Stoker, California Department  
of Transportation, April 6, 1982.



Plans exist (but are currently in abeyance) for completion of the freeway in its route through the City of Eureka. If these plans were to be executed, tourist-oriented businesses in Eureka could suffer, as a completed freeway would discourage unplanned rest stops in Eureka.

The major east-west route in the Eureka area is County Road 299, which carries through traffic to Redding and the Sacramento Valley. A secondary highway, State Route 36, stretches between Fortuna-Rio Dell and Red Bluff.

a. Bus Service

Two intercity bus lines serve Eureka: Greyhound, with connections to Portland and San Francisco; and Redwood Empire Lines, which operates along Highway 299 to Redding (see Table 12). In addition to transporting passengers, the bus companies provide overnight freight services at a cost lower than that of other freight carriers.<sup>1/</sup>

b. Truck Service

Truck service in Eureka appears to be adequate; fifteen trucking companies serve local businesses and industries, with capabilities for overnight delivery to Crescent City, Sacramento, Stockton, San Jose and San Francisco.<sup>2/</sup> However, trucking rates put Eureka at a comparative disadvantage with the San Francisco and Sacramento areas for shipping to markets in the Pacific Northwest.

2. Rail Transportation

No passenger trains serve the Eureka area; railroads in Humboldt County are primarily designed to transport forest products from areas of milling and manufacture to markets in

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<sup>1/</sup> Personal communication with Galen Gattis, Greyhound Bus Company, Eureka, March 2, 1982.

<sup>2/</sup> Greater Eureka Chamber of Commerce, "Community Economic Profile for Eureka," Eureka, 1981, p. 2

the east and midwest.

Rail volumes have declined in recent years, due to both improvements in the highway system and reductions in the timber harvests.<sup>3/</sup>

Table 12  
Bus Service to Eureka

<u>Route</u>	<u>Number of Buses Per Day</u>	<u>Length of Trip in Hours</u>	<u>Cost of Regular Round-Trip Ticket</u>
Eureka-San Francisco	4	7-8	\$ 41.05
Eureka-Portland	3	11-13	105.50
Eureka-Redding	2	4	23.95

### 3. Air Transportation

Humboldt County contains nine airports, but the only one served by a major commercial airline is the Eureka-Arcata Airport at McKinleyville. Republic Airlines operates out of McKinleyville with flights to San Francisco and Portland. Six other northern California cities are served by commuter flights to the McKinleyville Airport and to Eureka's Murry Field.

Both the climate and level of carrier service have caused problems with air transportation to Eureka. Poor weather can lead to flight cancellations, diversions and delays. Although less than 1% of all Republic flights to Eureka were cancelled in 1981, cancellation of commuter flights was more frequent, as were delays in flight schedules. Fog has been particularly troublesome for early morning, late afternoon

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<sup>3/</sup> QRC, op. cit. p. 225.

and evening flights. Service by only one major carrier has in the past led to inconvenience in scheduling and relatively high ticket prices. Changing schedules of early morning flights have inconvenienced travelers into and out of Eureka in the past year.

Single carrier service also limits the number of visitors who can be brought into the county for conferences and recreational events. Republic Airlines currently offers three flights daily from San Francisco to Eureka, and one flight from Portland (with two stops enroute). The maximum number of travelers Republic could bring in one day to Eureka is approximately 240 from San Francisco and 100 from Oregon. Unless schedules can be expanded, the small number of commercial flights into Eureka may prove to be a limiting factor on proposals to expand convention activities in the county.

While these air transportation limits cause substantial inconvenience to the business community of Eureka and Humboldt County, they should not be seen as a long term barrier to growth. With runway and terminal facilities already in place, the Eureka-Arcata airport has the potential for expanding service to meet growing demand.

#### 4. Water Transportation

Humboldt County contains three ocean harbors: Humboldt Bay, Trinidad Bay and Shelter Cove. Humboldt Bay, the largest of the three, is the only deep water port for five hundred miles of Pacific coastline. Its market area is bounded by those of Coos Bay, Oregon, the Port of Sacramento, and the San Francisco Bay ports.

No sharp boundary exists, however, between the market areas, and there is much penetration into what would normally be the territory of the Port of Eureka. Harbor business "leaks" out of the area for three major reasons:\*

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\*Personal communication with Jack Alderson, Director, Humboldt Bay Harbor Recreation and Conservation District, April 6, 1982.



- 1) Containerization: Unlike its competitors, Eureka's port is not containerized. Plans exist for development of container facilities, but these have not been implemented.
- 2) Private Ownership: All of Eureka's port terminals are currently in private ownership; most are owned by large lumber corporations. Lumber producers are reluctant to use port facilities owned by their competitors and frequently transport their goods to San Francisco for shipment. The Harbor District has plans currently for a 1,200 foot public wharf to help solve this problem.
- 3) Tariffs: The regulation of intrastate shipping costs by the California Public Utilities Commission has diverted some traffic from the Humboldt Bay harbor, and some goods (such as oysters) have been shipped to Southern California via Oregon because of cost differentials. However, even without tariff restrictions, the harbor is unlikely to be used as a major intrastate shipping facility for many seafood products, as many local companies have proprietary trucks.

#### B. Current and Planned Land Use

Eureka has a mixture of industrial, commercial and residential land uses. City redevelopment projects have been responsible for most of the new developments in the past decade. Potential exists in Eureka for expanding both industrial and commercial uses, while most new private residential developments are likely to occur outside of the city limits.

##### 1. Industrial

There are currently 756.2 acres within the Eureka City limits that are zoned for heavy and light industry;\* about fifty percent are vacant and available in parcels ranging in size from twenty-five to thirty acres. Many of the vacant parcels are not served by necessary infrastructure; the smaller parcels, particularly, lack such features

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\*Greater Eureka Chamber of Commerce, "Community Economic Profile for Eureka, Humboldt County, California." Eureka, 1981, p. 2.

as sidewalks, gutters and sewers,\* thus making it more difficult for industry to make a timely move into Eureka.

Moreover, all of Eureka's industrial land is located within the coastal zone. The City of Eureka has been slow to adopt a Local Coastal Program that would enable it to make land use decisions within the zone, and that responsibility has been left to the California Coastal Commission. The burdensome permit process may constitute a further barrier to industrial development in Eureka.

Still other impediments to industrial development exist. According to the Humboldt County Local Coastal Program,\*\* all but 161 acres of Eureka's industrially zoned land is either encumbered by the Eureka sewage treatment project or is located in wetlands. The Coastal Act has strict policies regarding filling and development of wetlands; for most purposes this practice is forbidden.\*\*\*

## 2. Commercial

Most commercial development in Eureka lies along Highway 101, and consists mainly of retail stores, financial institutions, hotels and motels, and eating places. Eureka's major commercial endeavor in the 1970s was the redevelopment of the Old Town area, including street improvements and building rehabilitation. Many tourist-oriented businesses, such as antique and specialty shops, are located in this area.

The major commercial land use alternative that the city has is the establishment of a regional shopping center. Such a development would be the only one

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\*Personal communication with Arnie Herskovic, Eureka Planning Department, April 6, 1982.

\*\*Humboldt County Local Coastal Program, "Industrial Siting Study," January 1981, p. 23.

\*\*\*Coastal Act, § 30255.

of its kind throughout the region, but careful analysis must still be done to determine if demand is large enough to support such a facility. Parcels that have been mentioned as possibilities for such a center include:\*

- a. Pacific Lumber Company: The Pacific Lumber Company owns a vacant 65 acre parcel in the City of Eureka. Current zoning is for industrial land use; this would require general plan and zoning ordinance amendments.
- b. Montgomery Ward: The Montgomery Ward company owns a potentially appropriate parcel within the City of Eureka.
- c. Ford Dealership: There are four blocks adjacent to downtown Eureka that were formerly a Ford auto dealership. The proximity of this site to downtown could be an advantage as well as a disadvantage: the downtown and the shopping center could feed on each other, but the closeness may only exacerbate the flow of business out of downtown.
- d. County Land: The possibility exists of annexing a 180 acre parcel south of Eureka that is currently in an unincorporated area. Coastal-related problems would deter its conversion to commercial uses, however. Most of the land is in agriculture currently, parts in prime agricultural land, and is thus subject to strong protection by the Coastal Commission.

### 3. Residential

Eureka has experienced little private residential development in recent years, as most of the new single family construction is occurring on unincorporated land. The city and the Redevelopment Agency have, however, been involved in multi-family housing development: a public housing project and development of apartment units in the upper floors of commercial redevelopment areas. Since the projects began, 150 new units have been built and 100 have been rehabilitated.\*\*

\*Personal communication with Arnie Herskovic, Eureka Planning Department, April 16, 1982.

\*\*Personal communication with Jack Segal, Director of Community Development, City of Eureka.



### C. Housing

Housing costs, in terms both of purchase prices and rents, are considerably lower in Eureka than the State as a whole, as are prices in other northern coast communities (Table 13). Precise data on the condition of Eureka's housing stock are not available, but Eureka can be compared with other areas using adequacy of plumbing facilities as a proxy for housing quality. The percentage of dwelling units lacking complete plumbing facilities for the sole use of the occupants is considerably greater in the County of Humboldt than in Eureka City; this is to be expected since the County contains a sizable rural population. The percentage in Eureka is twice that of the State of California, reflecting the relatively high proportion of older homes in the area. The vacancy rate in the City of Eureka compares favorably with figures for other cities and the State as a whole. The city's vacancy rate of 5.2% is in the optimal "middle ground"; a much lower rate would indicate a housing shortage, while a higher rate could be a signal of overbuilding or excessive net out-migration.\* These figures indicate that moderate sized firms (a few hundred employees) considering locating in the Eureka area could expect to find homes available for their employees.

### D. Water Supplies

The City of Eureka purchases water for domestic and industrial purposes from the Humboldt Bay Municipal Water District, whose water source is the Mad River. The Eureka City Council decides annually the quantity of water the city will purchase; currently it buys 4 million gallons per day (mgd) of its 8 mgd of Mad River water rights.\*\* The Humboldt Bay Municipal Water District is currently under contract to produce at its maximum capacity of 75 mgd.\*\*\* Of that amount, 15 mgd is allocated to municipal customers, and the remaining 60 mgd is sold to the county's two pulp mills. Thus, under current contractual obligations, no major new developments can be accommodated. However, the District has determined that through pricing and contract incentives, the pulp mills can be encouraged to conserve on the order of 10 mgd per day, substantially increasing the supply available to municipal users.

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\*While California has a similar vacancy rate (5.1%), the state as a whole is purported to have a "housing shortage" because of the tightness of housing supplies in the state's major metropolitan areas.

\*\*Personal communication with Mr. Len Blumquist, Department of Public Works, City of Eureka, April 16, 1982.

\*\*\*Personal communication with Mr. Arthur Bolli, General Manager, Humboldt Bay Municipal Water District, April 16, 1982.

Table 13

Housing Characteristics--1980

	<u>Eureka</u>	<u>Humboldt County</u>	<u>Crescent City</u>	<u>Fort Bragg</u>	<u>California</u>
Median Home Value	\$54,900	\$57,000	\$47,100	\$64,000	\$84,700
Median Contract Rent	\$ 199	\$ 201	\$ 192	\$ 207	\$ 253
Percent of Units Lacking Complete Plumbing for Sole Use	2.8%	4.2%	0.5%	2.3%	1.4%
Vacancy rate*	5.2%	5.0%	5.8%	6.1%	5.1%

\* Excluding dwellings that are vacant but held for occasional use.

Source: 1980 Census

This increase is more than enough to accommodate any anticipated growth for the county. Until municipal demand warrants this reduction, the District is not in a position to provide incentives as the resulting loss in revenues from the pulp mills would necessitate large increases in rates to municipal customers.

#### E. Summary

- o Eureka is served by a major highway and has air, rail, bus, train and port facilities. However, weather conditions, restricted schedules, rate structure, and private ownership of facilities currently limit the flexibility and use of these transportation modes.
- o All of Eureka's industrial-owned land lies in the coastal zone, and all but 160 acres of this land is either encumbered for sewage treatment or located in wetlands. Adoption of a local Coastal Plan is essential to further development of Eureka's industrial land.
- o Average housing costs in Eureka are 35% less than average prices for the state.
- o While the Humboldt Bay Water District currently operates at capacity, conservation measures by major users could make an additional 10 mdg of water available, if demand increases.

### III. Economic Development Approaches

An economic development strategy was prepared for Humboldt County in 1977 identifying the major impacts of changing levels of forest production and examining options for expanding alternative economic activities.\* Drawing on this strategy, a number of different city and county organizations have begun economic development projects in Eureka and other parts of the county. The aims of these projects are varied, with focuses ranging from the development of industry or expansion of the market for the Humboldt Bay Harbor District, to increasing the number of visitors to the county. Neither the city nor the county has established a set of objectives or organization that provides a more central focus for economic development activities.

#### A. The Redwood Region Economic Development Commission--a Countywide Organization

The economic development strategy mentioned above was commissioned with EDA funding by the Redwood Region Economic Development Commission (RREDC).

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\*QRC, Op. cit.



The major activity of the RREDC since 1978 has been the dispersal of grants and loans for job-generating activities throughout Humboldt County. Grants were made to cities and the county, primarily for infrastructure development and support for basic industries. Projects include:

1. Airport improvements in McKinleyville and Rohnerville.
2. Boat building and repair facilities in the Harbor district.
3. Fish processing plant in Eureka.
4. Feasibility study for Trinidad Harbor.
5. Infrastructure funding for the Arcata West End Industrial Park.
6. Sidewalk facilities in Ferndale.

In addition to the grants described above, RREDC has disbursed thirteen major loans for the purpose of starting new businesses. Firms started under this program employed about 200 people by early 1982 (see Table 14).<sup>\*</sup> About half of these businesses are based on lumber products; the remainder are also oriented to the county's agricultural base and natural resources. None of these firms is located in Eureka, although these activities may generate business and employment for the city.

With remaining EDA funds and income from loan repayments, RREDC will operate a revolving loan fund for businesses needing small loans (\$10,000 to \$30,000). The Commission expects to loan out approximately \$90,000 every three months.

#### B. City of Eureka and the Local Business Community

Economic development activity in the City of Eureka has come mainly through the Community Development Department and the Eureka Redevelopment Agency. In addition to the Old Town redevelopment project several other developments have been proposed for the Eureka area. Major proposals include the Westside Industrial Park, a foreign trade zone, and a convention center. In addition to these city-sponsored proposals, efforts are underway by the city's business community to activate a Local Development Corporation.

##### 1. Westside Industrial Park

The Westside Industrial Development Plan<sup>\*\*</sup> completed in December, 1981 proposes the designation of 285 acres bordering the harbor in Eureka as an industrial park. Industry is currently the dominant use on the site, which contains nearly twenty percent

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<sup>\*</sup>In recent months, some firms have encountered financial difficulties. Closure may reduce employment in these firms by about one-third.

<sup>\*\*</sup>LACO Associates, Westside Industrial Development Plan, prepared for Eureka Redevelopment Agency, Eureka, 1981.

Table 14

Businesses Started with RREDC Loans

<u>Firm</u>	<u>Location</u>	<u>Type of Operation</u>	<u>Number of Employees</u>
Pacific Carbon	Blue Lake	Activated Carbon	18
Mad River Hardwoods	Arcata	Wood Products	13
Squirrel Redwood Bus	Garberville	Recreational Transportation	5
Tanbark Ranch Forest Products	Garberville	Forest Products	5
Coffee Creek Mushrooms	Ferndale	Mushroom Farm	10
Cal-Kirk Landscaping	Arcata	Large-Scale Landscaping	35
Precision Prefinishers	Arcata	Wood Products	5
Humboldt Loaders	Arcata	Wood Products	20
Fortuna Lumber & Mill	Fortuna	Wood Products	40
Lane's Pack Station	Orick	Recreation	8
Redwood Trails	Orick	Recreational Vehicle Park	19
PVM Redwoods	Arcata	Wood Products	20
LaFranchi Cheese	Loleta	Cheese Production	to open soon

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Source: Personal Communication with Theaetta Goodwin, Director, RREDC, April 23, 1982

of Eureka's 944 acres of used, zoned or planned industrial land. Improvements in the industrial park are planned to take place over a twenty-year period, at the approximate cost of \$835,000 per year for the first ten years and \$700,000 annually thereafter (not including any land acquisition costs).

To implement the industrial development plan, several actions are necessary, including:

- a) Designation of the westside area as an industrial park.
- b) Resolution of land use issues related to Coastal Act requirements. (Eureka does not yet have an adopted Local Coastal Plan, so the Coastal Commission retains primary permit responsibility within the coastal zone, which includes the westside area. Even after the adoption of a Local Coast Plan, the Coastal Act will influence the type of industry that can locate in the area, as it gives priority to coastal dependent uses.)
- c) Determination of the extent of land acquisition and public improvements to be made in the industrial park.
- d) Establishment of a capital improvements program (including the identification of funding sources and mechanisms).

In addition, the development plan recommends establishing an industrial development function within the Redevelopment Agency and the development of a foreign trade zone within the project area.

## 2. Foreign Trade Zone

The QRC strategy and the Industrial Development Plan both outline proposals for a foreign trade zone into which foreign goods could be shipped and held temporarily without the payment of duty.

The principal benefit of such a zone is the savings to manufacturers and distributors stemming from the capacity to store goods without paying duty until they are ready to be shipped or sold. In conjunction with other improvements, a foreign trade zone could increase port-related warehousing activity, encourage importing through Eureka, and attract some manufacturing activities that make use of imported materials in the production process.

However, the success of such an effort will depend on the city's overall attractiveness to industrial activities, the importance of imports in these activities, and the integration



of a foreign trade zone with a larger industrial development policy.

Planning for the foreign trade zone is still underway. The Economic Development Administration, through the RREDC, has awarded Eureka a grant for the preparation of a feasibility study of the proposal, and selection of a consultant began in winter, 1982. If a foreign trade zone is determined to be feasible, it will take a minimum of three to four years to obtain approval of a proposal and complete development and construction. For a specific amount of acreage, costs will tend to be higher than for an industrial park due to the special high security requirements of the zone. Once necessary enclosures are in place, investment required for a foreign trade zone may be lower than for a conventional industrial park, since the former contains mostly warehouses, rather than more costly equipment and factories.

### 3. Community/Conference Center

A community and conference center has been proposed for Eureka that could serve small meetings and workshops and be adjusted to accommodate larger groups (of 1,500 to 3,000) for banquets, assemblies and meetings. It would consist of an auditorium hall, stage, multi-use hall, two banquet halls, meeting rooms, and necessary support facilities. The center would be located within Eureka's harbor district and could be linked to other developments in the harbor area such as a marina, park, or new hotel.

A detailed feasibility study of the center was done in 1978.\* The study estimated that the center could be used on eighty percent of the days in its first year of operation (although far below full capacity for most of those days). Much of the use would be by local groups currently using other facilities in the county.

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\*Economic Research Associates, et al., Eureka Community/Conference Center Eureka Redevelopment Agency, Eureka, 1978.

Construction costs of the facility are estimated at over \$11 million, with between \$0.9 and \$1.4 million in yearly debt service if the city carries the entire obligation. (This would equal about 15% of Eureka's 1981 general fund.) Fiscal analysis of the center operations estimates that the costs of yearly operations will exceed revenues by \$50,000. The fiscal evaluation of the convention center assumes that, in addition to the meeting facilities, a new 400-room hotel will be built by a private developer close to the convention center site. With construction of the new hotel, and including multiplier effects, the analysis projects additions to local tax revenue of \$367,000, increased expenditures in the local economy of \$6.2 million, a local payroll increase of \$6.9 million, and almost 700 new jobs. Almost all of the new tax revenues, 70 percent of the new jobs, and much of the payroll and expenditure increases depend on the operation of the new hotel. The estimates do not include possible job displacement and income loss for older hotels in the area.

The initial evaluation of the feasibility of the Community/Convention Center assumed that some outside assistance would be available to carry a substantial amount of the \$11.4 million construction costs. An EDA grant or UDAG funding were considered likely sources of assistance. New federal budgetary measures make it very unlikely that Eureka will obtain assistance from either of these sources. Further action on the convention center is unlikely, given current fiscal conditions, but the private developer may continue with plans for the hotel.

#### 4. Eureka-Humboldt Development Corporation

The Eureka Humboldt Development Corporation is still in its organizational stages and is in the process of determining its directions of activity, staffing level, and funding sources. If the EHDC becomes operational, it can offer a variety of services to local small businesses, from access to Small Business Administration loans and loan guarantees, to technical assistance in business management. These types of activities can contribute to the overall success of economic development efforts in Eureka.

### C. Humboldt Bay Harbor Recreation and Conservation District

Most of Eureka's industrial and commercial land is located in or adjacent to the harbor district. The Humboldt Bay Harbor Recreation and Conservation District has been active in constructing needed improvements for the Humboldt Bay Harbor, many of which contribute to the economic viability of the region. Several developments have been completed; others are under construction, and still others await funding.

#### 1. Port Dredging

In 1978 the District, in cooperation with the Army Corps of Engineers, dredged Humboldt Bay to a depth of 35 feet to allow larger ships into the port. Due to the decline of the lumber industry generally, those ships have not been used or needed in the port.

#### 2. Marina

In July, 1981, a small craft harbor was opened on Humboldt Bay. The marina was designed to support Humboldt County's fishing fleet and was developed at a cost of \$10 million with the assistance of the Economic Development Administration and the Department of Boating and Waterways.

#### 3. Boat Repair Yard

Construction of a boat repair yard is currently underway, with the final phase scheduled to be completed in 1982. The repair yard was developed with funding from the Economic Development Administration and was built in three phases:

- a) A 150-ton travel lift, designed to lift boats out of the water;
- b) Construction of piers to support the lift; and
- c) Development of industrial-level utilities on the site.

#### 4. Public Port Facilities

According to the Harbor District Director, the most necessary improvement for the near future would be the development of public port facilities including a container terminal and a 1,200-foot wharf. This would increase the port's capacity two ways:



1) the container terminal would enable containerized shipping to come to Eureka, and 2) the public ownership of the facilities would tend to alleviate the problem of lumber companies hesitating to use port facilities of their competitors.

Containerization is crucial to the Humboldt Harbor for several reasons. Though logs are never shipped in containers, other wood products frequently are. The latter group includes some finished lumber products as well as wood chips. In addition, containerization can strengthen Eureka's position as distribution center for Northern California by reducing the costs of shipping goods into the port. A major supermarket chain recently expressed interest in shipping its products in containers by barge from the Bay Area to Eureka; the containers would then be transferred to trucks for distribution throughout Northern California. Until containerized facilities are developed in Eureka, this kind of activity will not be possible. However, any move towards port improvements of this level would still require careful evaluation of potential impacts. A successful containerized port could generate new employment and industrial development opportunities, but could also significantly change the character of the Humboldt Bay port and waterfront. An unsuccessful containerization effort (one that failed to generate increased use of port facilities) would clearly be very costly to the city and county.

#### D. Other Economic Development Activities in Humboldt County

Economic Development programs run by other cities and organizations in Humboldt County can have a positive effect on employment levels and the economic base of Humboldt County and can help to expand economic opportunities in Eureka as well. Several organizations that may serve the Eureka area are the Private Industry Council, the Arcata Economic Development Corporation, and the Redwood Community Action Agency. In addition, private sector activity by large landholders can also provide resources and opportunities for economic development.

##### 1. Private Industry Council

The Humboldt County Private Industry Council has discretionary funding that can be used for economic development activities

in the county. In the past, the PIC has provided some support to the Arcata Economic Development Corporation, has financed promotional materials for Humboldt County, and has funded the Business Support Center to provide counseling and loan packaging to small businesses. A primary role of Private Industry Councils is to link economic development activities in the county to employment training programs. Because of the number of workers who must move out of the lumber industry into other types of employment, this may be a very important service in the next few years.

## 2. Local Development Corporations

Several cities in Humboldt County have Local Development Corporations. Most focus on local programs. The most active Local Development Corporation (AEDC) has tried to play two roles: as the primary economic development agency for the City of Arcata and as a promotional organization for the county as a whole. The AEDC administers most of Arcata's economic development programs, from a small business loan program funded through block grants to an industrial park funded through grants from the state and the RREDC. In addition, the AEDC has countywide loan packaging capabilities. The organization also assists in seeking loans from the California Office of Small Business Development, Small Business Administration 502 loans and administers industrial revenue bonds for Humboldt County. It hopes to be certified in the near future for the SBA 503 loan guarantee program for Humboldt and Del Norte Counties. While directly involved in development of the West End Industrial Park, the AEDC has also tried to market industrial land throughout the county, recognizing that a single new firm can generate revenues and jobs countywide.

## 3. Redwood Community Action Agency

The Redwood Community Action Agency (RCAA), funded through the U.S. Community Services Administration, is primarily responsible for assisting low income residents of the county. Because of economic conditions in Humboldt, economic development has been an important activity for the agency, with a focus on job and small business development. The agency operates work-experience and on-the-job training programs for the county

and is now looking towards the ownership and operation of business ventures as a source of funds for the agency and a job development tool. The RCAA has a Ventures Development Group that oversees proposals for new venture development by the agency.

The RCAA complements larger-scale economic development activities in the county by concentrating on new business ventures associated with small business. For example, the agency operates the Forest Improvement Center, which trains workers and provides cooperative work crews for forest improvement work in the National Parks and Forests and on land owned by timber companies and private, non-industrial owners. The agency is also interested in tourism development and the expansion of selected small businesses.

#### 4. The Eureka/Humboldt County Convention and Visitors Bureau

The Eureka/Humboldt County Convention and Visitors Bureau was established in conjunction with plans for the Eureka Community/Conference Center. It was recognized that with or without the center, a visitors bureau could help establish Eureka's position in group and individual travel markets. The bureau was incorporated in 1978 and is supported by funding from Humboldt County, the City of Eureka (through the room tax), and private memberships. For the first half-decade of operation, the bureau has focused on building group tourism business in the county, attracting meetings and seminars ranging from 50 to 250 delegates. Over the next few years, more emphasis will be placed on the individual travel market as well. As new tourism and meeting facilities are expanded in the area, the Convention and Visitors Bureau can assist in marketing these facilities to all segments of the travel market.

#### 5. Other Private Sector Efforts

In addition to public and nonprofit organizations involved in economic development, some private businesses are also engaged in planning and decision making that have significant effects on economic development for the city. For example, private developers are considering constructing a 400-room hotel in Eureka. This project could improve the market for small conventions



in Humboldt County. In addition, Pacific Lumber Company, prime industrial landholder in Eureka, has done extensive in-house analysis of economic potential in the region and development directions for industrial land. Pacific Lumber can serve as a major resource for economic development planning because of the company 's interest in finding a use for its own land.

#### E. Summary

- o Humboldt County has several active economic development organizations, but no central organization for information, promotion or planning exists at either the city or county level.
- o Eureka completed an Old Town renovation project in the 1970s, has conducted feasibility studies for the Westside Industrial Park and the Eureka Community/Convention Center, and has begun contracting for a feasibility study for a Foreign Trade Zone.
- o A Eureka Convention and Visitors Bureau was established recently to promote tourism in the city and county.
- o The Eureka Humboldt Development Corporation was established in the early 1980s and is currently determining funding and staffing levels.
- o The Redwood Region Economic Development Commission has supported several major infrastructure and industrial development projects in the county and has provided start-up loans to 13 new businesses.
- o The Humboldt Bay Harbor Recreation and Conservation District has improved harbor facilities by dredging the Bay to 35 feet, completing a small craft harbor and marina, and beginning construction of a boat repair yard.
- o In addition to conducting economic development programs for the City of Arcata, the Arcata Economic Development Corporation promoted Humboldt County to industry and packages loans countywide for the U.S. Small Business Administration and the California Office of Small Business Development.

- o The Redwood Community Action Agency developed the Forest Improvement Center to provide job training and establish small businesses in forest conservation work. The agency is also involved in the Displaced Workers Center and is concerned with tourism development.

#### IV. Basic Needs and Future Directions

Eureka and Humboldt County currently face difficult economic conditions that can be expected to continue in the future. Even as national economic conditions improve, the depletion of timber resources in Northern California and nationwide shifts in the industry may keep the forest products industry in Humboldt County from reaching previous levels of activity. An economic development approach for Eureka must recognize the long term issues affecting the local economy. This section of the report identifies the basic economic needs facing the City of Eureka, describes the major resources and constraints that the city can work with, discusses prospects for expanding economic activity in the city and county, and identifies some major planning issues facing the City of Eureka in addressing economic development.

##### A. Basic Needs

The most important problems facing the economies of the City of Eureka and Humboldt County are related to employment needs. With unemployment reaching new highs throughout Northern California, the city and county will be concerned with expanding export-based employment in the region, developing jobs that match the skills of unemployed workers, and increasing the stability of regional employment. In addition to employment needs, stable markets for the local business sector and revenues for local government will also be important in the future of Eureka's economy.

##### 1. Export-Based Employment

Unemployment problems in the region have resulted largely from instabilities in the economy's major export sector. The 1,200-job decrease in lumber and wood products employment since 1978 represents about an eleven percent loss in total

export-based jobs in the county. Counteracting employment gains in state and federal government employment are unlikely to continue, given the present fiscal climate for public government. Based on Eureka's 1981 average unemployment level of 5,800, about 1,000-1,500 new jobs in basic sectors and 1,500-2,000 new jobs in wholesale trade, retail trade and services ("nonbasic" sectors) would be needed to bring Humboldt County to an unemployment rate of seven percent.\* A successful effort to increase export-based jobs in the county by 1,000 is likely to generate the income to support many of the necessary non-basic jobs as well.

## 2. Matching New Employment to Job Skills

With the largest sector of job loss in the lumber industry, there is a particularly great need for employment opportunities that use the skills of out-of-work timber workers and that match some of the working-condition and salary expectations of these workers. In addition to new jobs in lumber products, heavy manufacturing and construction are most likely to offer a good match for job skills acquired in timber production and processing. The RREDC has successfully generated about 100 new jobs in forest products through business loans. Other activities offering this type of employment will be difficult to attract to Humboldt County, because of the location of the county, size of the market area, and environmental conditions (e.g., coastal zone restrictions). Where such employment opportunities can be developed in the area, displaced lumber workers may still require job training to be eligible for new positions.

## 3. Industry Diversification and Job Stability

In many natural-resource based communities, local workers expect regular periods of unemployment on a seasonal basis. To the extent that they are able to plan for these periods and adjust spending and saving to account for them, variations in

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\*These are very rough estimates, taking into account unemployment levels in the basic sector (especially timber-related unemployment), the ratio of basic to total jobs in the county (ranging from 1:2 to 1:3 over the past decade), and the effect of public assistance payments on current basic/non-basic job ratios).



income and employment levels from month to month may not be a problem for the local economy. However, more serious problems arise with year-to-year variations and longer term slumps, as experienced in the forest products industry. For Humboldt County, a broader export base could provide a much better cushion against periodic shifts in employment. Such diversification could come from forest products produced for new markets (e.g., hardwoods) expansion of other resource-based activity (e.g., fishing, tourism), development of a variety of small industries serving California and Pacific Northwest markets, or the introduction of a few new major employers in industries unrelated to local natural resources.

#### 4. A Stable Market for Commercial Business

Because local spending is tied to income in the basic sectors of the economy, a fluctuating export base can cause problems in the retail and service sectors of the economy. Diversifying the economic base or expanding the market area for local business can help to stabilize commercial activity. For expansion, commercial businesses also require broader access to financing. Market rates for financing are currently beyond the means of many firms, and access to alternative resources may be necessary to allow firms to expand.

#### 5. Local Government Revenues

Local government revenues have been cut back sharply since the passage of Proposition 13. Property tax revenues in Eureka dropped by 33% in the early years following Proposition 13. Sales taxes now provide between one-third and one-half of the city's general fund revenues. Growth of the city's retail sector may be particularly important in bolstering local government finances.

#### B. Resources and Constraints

Any city or county economic development programs to address these needs must take into account the particular resources and constraints of the Humboldt County and Eureka location. Compared to many other timber communities in the state, Eureka is relatively accessible,

can offer a wide range of labor-force skills, and provide many business support services. However, Eureka lacks many other resources available in larger metropolitan areas. Transportation constraints, the small population size of the area, and limited government infrastructure and services affect the ways that industry and other businesses expand and locate in the area. Features that are a resource for one firm (e.g., airport facilities for a small consulting firm) may be a constraint for a different type of company (e.g., a moderate-sized high technology firm, with more extensive travel requirements).

#### 1. Resources

Humboldt County and the City of Eureka have several resources that can support the growth of business and industry. Some of the most important resources in the area are described below:

- a) **Natural Environment:** The rich natural environment of California's northern coastline has been the basis of Humboldt County's economy in the past. Although many of these traditional activities are declining, natural resources in the area can still provide a basis for economic expansion.
- b) **Labor Force:** Humboldt County has both workers who are skilled at many industrial tasks because of training in the lumber industry and a highly educated segment of the labor force, composed of Humboldt State University graduates who have chosen to remain in the area and professionals who live in the region because of life-style preferences.
- c) **Business Support Services:** As the banking center for North Coast communities, Eureka provides financial services less easily available in many other rural areas. In addition, technical assistance is available locally to small businesses from the Business Support Center and some of the banks.
- d) **Quality of Life and Affordable Housing:** Because of the attractive living environment and low housing costs, firms in Eureka have had no difficulty in attracting skilled

employees from larger metropolitan areas. These characteristics can make the area attractive to small firms expanding out of metropolitan areas.

- e) Educational and Training Facilities: Humboldt State University and the College of the Redwoods can provide facilities and personnel for specific training needs. In addition, the city and county can draw on personnel at the college and university for assistance at different stages of economic development, and graduates of these institutions may be attractive to firms considering locating in the area.
- f) Harbor and Airport Facilities: The harbor facilities at Humboldt Bay and the airport and terminal at McKinleyville have the potential for expansion if new demands arise. Although these facilities are currently too small or limited to attract larger plants, they can provide services, useful for smaller firms, that are unavailable in many other timber communities.

## 2. Constraints

Several characteristics of Eureka and Humboldt County are likely to strongly limit the types of businesses locating and expanding in the area. These include:

- a) Transportation Uncertainties and Costs: Although Eureka is served by a major highway, a harbor, and a commercial airline, many firms would find transportation facilities in this area inadequate for their needs. Poor weather frequently disrupts flights and can cause flooding and landslides that may block major highways for days. Private ownership of harbor facilities currently limits the usefulness of port facilities for other users. Trucking and shipping costs tend to be higher from the Eureka area than from larger metropolitan areas. Uncertainties and costs discourage both large and small firms from locating establishments in Eureka.



- b) **Population Size:** Eureka's population is under 25,000, and there are just over 100,000 people in Humboldt County. This is an important limitation on the labor pool and market size for businesses. Large manufacturing firms, with several hundred employees or more, tend to locate in metropolitan areas of at least 100,000. In addition, many firms, such as large retail establishments, require more densely populated market areas to operate profitably.
- c) **Local Government Administrative Structure, Infrastructure and Services:** Because of the size of the city and county and their limited financial resources, the City of Eureka and Humboldt County do not offer many of the public services and infrastructure that are sought by firms in making location decisions. Local governments in the area cannot afford to make major investments in additional infrastructure and services simply as an industrial attraction device. Although other communities also face such constraints, Eureka is at a disadvantage compared to places that have already made these investments.

### C. Prospects for Expansion

Based on the constraints and resources that affect Humboldt County's economy, there are several different directions for economic development that can be explored by the City of Eureka. For any of these directions to achieve success, the city cannot act alone, but will need to share the resources of Humboldt County and of the other active economic development organizations in the area. However, the discussion below deals with the role of the City of Eureka in working toward each of these options.

#### 1. Expansion of Natural Resource Based Activities

Although declining resource-based economic activity accounts for some of the county's major problems, many of the region's prospects for diversification still rest with use of local natural resources. Possible areas for expansion include hardwood mills and products, fishing and tourism.

- a) Hardwoods: Expansion of hardwood milling and lumbering would provide alternative employment in timber and, as a source of timber jobs, would be much less sensitive to nationwide fluctuations in housing and construction. Historically, efforts to market west coast hardwoods have been unsuccessful because of problems with splitting and warping of wood. However, use of different milling techniques has produced lumber that can compete with eastern hardwoods. The west coast hardwood industry is still in its preliminary stages. Lumbering and milling of hardwoods currently employs about 100 people in Humboldt County. Over the long term (within the next few decades), timber supplies in the county and demand for hardwoods in the U.S. and abroad could lead to an industry employing a few hundred people, countywide. However, the ability of the industry to expand will depend on success of pilot efforts, faced with high capital expenditures and financing costs, over the next few years.
- b) Fishing: As with timber, the fishing industry will bring new jobs to Humboldt County most successfully if new products and new markets can be developed. Several possibilities that were outlined in the QRC study have not been implemented. Possibilities include expanded shellfish and seaweed farming and expanding the types of fish harvested commercially. Substantial groundwork is still needed to make many of these projects feasible. Overall, expansion of fishing activity is likely to generate jobs on a smaller scale than expansion of the hardwood industry.
- c) Tourism: Promotional activities have been successful in expanding tourism in the city and county. Businesses in Eureka have benefited from much of the increased tourism. The city and county appear to have the capacity for increased tourism business, at both peak season and off-season periods. If plans for a major hotel with meeting facilities are completed, up to one hundred new jobs may be generated

during the peak tourist season. Overall, increases in the tourism base are most likely to add seasonal rather than year-round jobs in retail trade and services.

In general, natural resource-based activities are among the economic activities most likely to be major job generators for the county. However, jobs in all of the sectors described above are likely to have similar seasonal variations throughout the year. Even with a greater range of natural resource-based activities, Humboldt County will certainly continue to be sensitive to nationwide recessions and the level of interest rates.

The most effective programs for expanding resource-based employment must come from planning efforts at the countywide level or wider. Even without a countywide approach to developing natural resources, Eureka can take some actions to support resource-based activity. These include working with local employers to identify opportunities for expansion and resources needed to allow expansion, making city resources available to other agencies in the county that are concentrating on resource development, and supporting organizations more directly involved in promotion of county resources (e.g., visitors and convention bureau, private industry council, local development corporations).

## 2. Building on Local Ideas

Many rural areas and small towns throughout the state have a few successful growing firms that are located in the area because a local person with an idea for a product or production technique was able to obtain financing for the business and to market the product successfully. A wide variety of activities can start this way, ranging from alternative energy technologies to specialized crafts, such as furniture and household wares, and small-scale electronics or software companies. For the Eureka area, energy from wood wastes, furniture and other products manufactured from wood, and some food products seem likely prospects for this type of business development. However, many different firms could succeed, given the right combination of interest, skills



and marketing abilities. These activities could eventually generate a few hundred jobs for the county.

Business ventures of this type encounter several important hurdles in their early stages of growth, including lack of management experience, problems in obtaining financing, and limited marketing expertise. The City of Eureka can work with other organizations in the county to provide programs assisting such firms. Possible actions include 1) increase the availability of funds by contributing to Local Development Corporations' share for SBA financing, 2) solicit assistance from the university for evaluating products and identifying markets, 3) work with other local groups (e.g., Private Industry Council, Business Support Center, Local Development Corporations, Redwood Community Action Agency, and local banks) to establish a technical assistance service for small businesses, 4) work with local businesses and experts to improve marketing capabilities for local producers (e.g., investigate possibility of forming a marketing cooperative for firms with related export possibilities), and 5) explore the possibility of using city-owned vacant land and buildings as locations for start-up firms.

### 3. Attracting Expanding Firms from Larger Metropolitan Areas

Expanding businesses in larger California metropolitan areas offer limited prospects for economic growth in Eureka because many of these firms seek a larger labor force base and a more flexible transportation network. Any attraction efforts should be carefully targeted to businesses that can derive specific benefits from North Coast locations. Possible targets include:

#### a) Firms with large markets in the Pacific Northwest:

Eureka may be an attractive site for small establishments that ship frequently to customers in Northern California, Oregon and Washington. Relatively high transportation costs from Eureka have been a major barrier to this type of development, but Eureka may still be attractive to small firms (50 employees or less) when transportation costs are a small percent of product costs and proximity to

customers offers other conveniences, such as speed of delivering and servicing products. Examples of products include recreational equipment and small machinery parts.

- b) **A Few Types of High Technology Firms:** Eureka is too small and isolated to attract most high technology firms looking for metropolitan areas with 100,000 or more people and nearby major airports. However, small firms (from one to fifty employees) occasionally seek sites outside of metropolitan regions that meet the life-style preferences of the owner or top management. Software firms, some computer manufacturers, and small optics firms are among the types of companies that can succeed outside of large metropolitan areas. Eureka has the potential to attract some of these firms because of the combination of cultural features, small town environment, low housing costs, university facilities, and recreational areas offered by Humboldt County. High technology firms may help to expand the employment base of Eureka but are unlikely to offer many employment alternatives for timber workers.
- c) **Firms Requiring Port Facilities:** The Humboldt Bay Harbor is one of two remaining deep-water ports in California that are adjacent to large amounts of vacant industrial land. These harbor facilities make Eureka unique among timber communities, and the city could conceivably attract a range of port-related activities, from larger scale construction projects (e.g., oil rigs) to much smaller warehousing and manufacturing activities. Large-scale activities could produce several hundred new jobs for the city and county, many of which might be appropriate for skilled timber workers. However, a number of risks are involved in targeting this type of industry. First, the harbor will be competing with larger west coast ports for these operations. Although land costs are attractive in Eureka, the harbor lacks many of the other features that metropolitan areas offer. Second, many businesses of this type will not become

long-term employers, but will operate for a shorter period of time (5, 10 or 15 years). Smaller scale operations (e.g., warehousing) will employ far fewer people but are more likely to remain in the area permanently.

Communities use a range of devices to attract outside firms, from promotional brochures to industrial parks. Many of the traditional attraction efforts would be extremely costly for a city the size of Eureka, or would only serve to set Eureka in competition with the other cities and towns in California's northern coastal area. Eureka can take two different types of steps that can contribute in a less costly way to attraction of firms. First, through analysis of trends among California businesses and surveys of selected firms, the city and county can identify promising targets for attraction and specific needs of these firms and can directly contact some of these firms. Second, the city can improve its "capture rate" of firms already interested in the area, by providing firms with information on land availability, vacant buildings, services, infrastructure and permit procedures in Eureka and surrounding towns and with personal assistance in finding an appropriate site. Even firms that locate elsewhere in the county can generate jobs and business income for the City of Eureka.

#### 4. Filling Unmet Local Needs

This economic profile has found no major local needs that are not met currently by existing firms. However, more detailed analysis of the area's demographic make-up and specific sectors of the economy could help to identify some local-serving business opportunities. Possible topics for more detailed investigation include:

- a) Needs of specific population groups (e.g., child care, health care for the elderly).
- b) Goods and services used by large employers in Humboldt County (e.g., services to Humboldt State University).
- c) Goods and services currently unavailable or purchased from outside the county by many smaller businesses.
- d) Consumer products imported from outside the county (e.g., clothing, dairy products, baked goods).



More information on unmet needs can be developed by interviewing directors of major firms and organizations in the county and by surveying selected populations on purchasing patterns, activities, and gaps in goods and services.

#### D. Planning Issues

Past economic development efforts by the City of Eureka have focused largely on capital improvements. Some of the city's major projects still await funding (see Table 15). As it becomes more difficult to obtain federal or state funding for these projects, Eureka may need to postpone action on major investments and explore a broader range of economic development activities.

The analysis prepared in this report offers some directions for future economic development efforts by the city, by pointing to the basic economic needs of the region and the types of economic activity that may meet those needs (see Table 16). In taking further action towards economic development, the city must still address a number of questions:

- 1) Which types of economic activities will make the best targets for a Eureka economic development effort, based on the types and levels of jobs that each activity can be expected to produce and the city's capacity for assisting each type of activity?
- 2) Will past capital improvement plans be useful for supporting targeted economic activities? How might these be revised or replaced to meet current funding realities and the more specific needs of targeted activities?
- 3) What other actions by the city can help to support targeted economic activities (e.g., information provision, administrative procedures, new organizations)?
- 4) How can the city work with the county and other economic development groups to improve the region's prospects for attracting, retaining, and fostering economic growth?

Resolving these questions is an important part of preparing and implementing an economic development strategy for the City of Eureka.

Table 15

## Status of Eureka Economic Development Projects

<u>Project</u>	<u>Current Status</u>	<u>Expected Timing</u>	<u>Funding Requirements</u>	<u>Necessary Actions and Constraints</u>
Neighborhood Development Program--				
a. Old Town Revitalization	Funding awarded in 1972; revitalization largely completed	Largely completed in the 1970s	Cost totaled \$1,373,925	--
b. Related neighborhood improvement activities	Funding awarded in 1975 for a five-year period; work includes infrastructure improvements, facilities, housing and land acquisition	1975-1980	Cost totaled \$3,188,000	--
Westside Industrial Park	Plan prepared but not adopted (1981)	In plan, capital improvements would occur 1982-1990	Plan estimates \$8.5 million for the first ten years; \$7,000,000 for the next ten years	<ul style="list-style-type: none"> <li>o No local coastal plan</li> <li>o Financing plan needed (including source of funds)</li> <li>o Area not yet designated as industrial park</li> </ul>
Foreign Trade Zone	Contracting for feasibility study underway (spring 1982)	Undetermined; approval generally takes 1½-2 years and minimum construction time is similar	Undetermined; can be more costly than industrial park improvements for similar amount of acreage due to security improvements.	<ul style="list-style-type: none"> <li>o Overall benefits to city must still be determined</li> <li>o Needs to be planned in conjunction with industrial park</li> </ul>
Community Conference Center	Feasibility study prepared (1978)	Undetermined	Feasibility study estimates \$11 million plus net operating costs annually of \$50,000	<ul style="list-style-type: none"> <li>o Coastal Commission approval needed</li> <li>o Must identify financing source</li> <li>o Air travel constraints on size of groups using facilities</li> </ul>

Table 16  
Prospects for Economic Expansion in Eureka and Humboldt County

<u>Economic Activity</u>	<u>Approximate Firm Size</u>	<u>Total New Job Potential (Range)*</u>	<u>Effects on Employment Stability</u>	<u>Job Skill Requirements</u>	<u>Needed Actions</u>
Hardwood Industries	10-60	200	Seasonal variations, may help balance longer cycles	Range of timber production skills	Financing for existing & new firms. Expand market for product.
Fishing: fishing boats processing & shipping	<20 20-100	100-200	seasonal	Similar to the existing industry	Identification of new products and new markets
Tourism Individual firm Major hotel	1-20 50				
Local ventures	under 50	100-250	Can offer more stable, year-round jobs	Often call for range of skills; may include training	Technical assistance for new firms; financing
Manufacturers & distributors serving northwest	under 50	100	As above	Range; some may use skills of timber workers	-more detailed analysis of potential firms & transport costs
High tech firms	20-100	200	No seasonal variations but can be very sensitive to outside market changes	Low-skilled assembly & highly trained professionals	-Identification of firms of appropriate size
Port facility users	50-100	200-1000	Large employers may be short-term (5-10 years)	Range; may use skills of timber workers	-Identification of appropriate sites

\*Rough estimate of what could result over 1-2 decades from a successful development effort.

(continued)



Table 16 (continued)  
Prospects for Economic Expansion in Eureka and Humboldt County

<u>Economic Activity</u>	<u>Approximate Firm Size</u>	<u>Total New Job Potential (Range)*</u>	<u>Effects of Employment Stability</u>	<u>Job Skill Requirements</u>	<u>Needed Actions</u>
Local needs					
a) Specific population groups	1-50	150	Depends on changes in population group; may last 5 years, 20 years or permanently	Considerable variation, many firms will start with owner & 1 or 2 employees, with possibility of expansion	-More detailed analysis of areas of business opportunity -Technical assistance for new business
b) Goods & services for large employers	1-50	100	Tied to health of large employer		
c) import substitution for business	1-50	50	long term		
d) import substitution for consumers	1-50	50	long term		

\*Rough estimate of what could result over 1-2 decades from a successful development effort.

Source: OEPPR estimates based on personal interviews with businesses, economic development specialists and others in Humboldt County and elsewhere in the state.

## E. Summary

- o Basic economic needs in the City of Eureka include new export-based employment, job opportunities for unemployed timber workers, a more diversified industrial base, a stable market for commercial business, and additional sources of local government revenues.
- o Resources in Humboldt County, including the natural environment, quality of life and private and public services and facilities, can support the additional growth of resource-based industries and other small manufacturers.
- o Many larger firms would be discouraged from locating in Humboldt County because of transportation uncertainties and costs, the relatively small labor force, and the limited government services.
- o Eureka and Humboldt County can explore several different options for further job development, including expanding on natural resource-based activity, supporting local entrepreneurs in new businesses and expansion, attracting expanding firms from elsewhere in California, and filling unmet local needs.
- o An economic development strategy for Eureka can extend beyond capital improvements planning to include a range of other activities targeted to the basic needs of the city and county.

# APPENDIX: Timber Industry Employment Estimates

We used regression analysis to examine the effects of changes in the national economy and California timber resources on employment in lumber and wood products in Humboldt County. We tested the following equation, using quarterly data from 1972-1981:

$$\text{EMP} = \beta_0 + \beta_1 \text{HSG} + \beta_2 \text{PGNP} + \beta_3 \text{INT} + \beta_4 \text{SAWTIMB} + \beta_5 \text{SOUTH} + \beta_6 \text{IIQ} + \beta_7 \text{IIIQ} + \mu$$

where EMP: quarterly employment in lumber and wood products

HSG: seasonally adjusted housing starts in the United States (thousands)

PGNP: percent change in real GNP from the preceding quarter

INT: real interest rates

SAWTIMB: standing inventory of California softwood sawtimber

SOUTH: percent of timber production occurring in the southern United States

IIQ: dummy variable for the second quarter

IIIQ: dummy variable for the third quarter

(IIQ and IIIQ estimate seasonal variations; dummy variables for the first and third quarters were found not to be significant.)

The estimated equation is:\*

$$\begin{aligned} \text{EMP} = & -20321 + 0.75 \text{HSG} + 112 \text{PGNP} - 22.8 \text{INT} \\ & (5.86) \quad (2.91) \quad (-1.48) \\ & + 116 \text{SAWTIMB} - 159 \text{SOUTH} + 1071 \text{IIQ} + 692 \text{IIIQ} \\ & (12.33) \quad (-2.62) \quad (6.03) \quad (8.67) \end{aligned}$$

The results were significant above the 99% level, with all coefficients except  $\beta_3$  significant to the 99% level or higher. Standard error of the estimate is 292. Table A-1 shows actual and estimated employment levels. Employment levels for 1982, 1983 and 1984 were estimated using DRI control projects for the time period.\* Estimates assume that the southern United States continues to produce approximately 26% of the nation's sawtimber harvest.

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\*Numbers in parentheses indicate t statistics.

\*\*The Data Resources Review of the U.S. Economy, Data Resources, Inc., June 1982.



Using DRI and Forest Service projections, we find that employment levels in lumber and wood products throughout the 1980s remain below 5,000.

Further information on these estimates is available from OEPPR.

Table A-1: Estimates of Lumber and Wood Products Employment  
in Humboldt County, 1972 - 1984

<u>Quarter</u>	<u>Actual Employment</u>	<u>Predicted Employment</u>
1972III	8375	8785
1972IV	7975	7920
1973I	7725	7916
1973II	8400	8626
1973III	8450	7972
1973IV	7150	7127
1974I	7000	7870
1974II	8300	7402
1974III	7625	6172
1974IV	5725	5472
1975I	5425	7411
1975II	7200	7412
1975III	7400	7281
1975IV	6400	6126
1976I	6350	6610
1976II	7525	7581
1976III	6475	7090
1976IV	6675	6598
1977I	6400	6496
1977II	7475	7259
1977III	7600	6971
1977IV	6475	6378
1978I	6200	6070
1978II	7100	7062
1978III	6425	6537
1978IV	5550	5842
1979I	5725	5244
1979II	6350	6551
1979III	6225	6281
1979IV	5450	5357
1980I	4800	4729
1980II	5100	5289
1980III	5200	5395
1980IV	4700	4754
1981I	4500	4494
1981II	5100	4899
1981III	4500	4562
1981IV	3400	3534

Table A-1, continued

<u>Quarter</u>	<u>Actual Employment</u>	<u>Predicted Employment</u>
1982I	3600	3547
1982II	4100	4488
1982III		4524
1982IV		3958
1983I		3587
1983II		4723
1983III		4442
1983IV		3763
1984I		3379
1984II		4618
1984III		4345
1984IV		3737



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